

**STATE OF CALIFORNIA
FRAUD ASSESSMENT COMMISSION**

**Summary Meeting Minutes
Sacramento, California
September 11, 2013**

In attendance: Don Marshall, Chair; Jiles Smith, Vice-Chair; and Commission Members Lilia Garcia, Carol Newman and John Riggs.

Others present: Rick Plein, Deputy Commissioner, Enforcement Branch, Department of Insurance; Eric Weirich, Division Chief, Enforcement Branch; Vanessa Himelblau, Senior Staff Counsel, Legal Division.

Chairperson Don Marshall opened the meeting by asking for a few moments of silence to remember the thousands of people that lost their lives 12 years ago.

Chairperson Marshall proceeded by asking for a motion to approve the submitted summary minutes from the June 12, 2013 meeting.

Motion

Commission Member Newman made a motion to accept the June 12, 2013 summary minutes as submitted. Commission Member Smith seconded the motion.

Action

The Fraud Assessment Commission (FAC) unanimously approved the summary meeting minutes.

Chairperson Marshall moved to the next item on the agenda, the district attorneys' Fiscal Year (FY) 2014-15 prospective budget presentations. Chairperson Marshall called on each of the thirty-six grant-funded counties to provide voluntary oral presentations on their FY 2014-2015 proposed budget and plan. The thirty-six grant-funded counties requested a total of \$38,358,920 for FY 2014-2015. Representatives from twenty-seven counties elected to make oral presentations to the FAC.

Presentations were made by Alameda, Amador, Contra Costa, El Dorado, Fresno, Imperial, Kern, Kings, Los Angeles, Merced, Monterey, Napa, Nevada, Orange, Riverside, Sacramento, San Bernardino, San Diego, San Francisco, San Mateo, Santa Barbara, Santa Clara, Solano, Sonoma, Tulare, Ventura and Yolo counties. In summary, most counties requested increased funding to maintain or increase their existing staffing. Counties planned to focus on high impact fraud cases and enhance their outreach efforts.

Fraud Division Report

Rick Plein, Deputy Commissioner, Enforcement Branch presented the annual FY 2012-2013 Fraud Division Report to the FAC. Deputy Commissioner Plein highlighted significant cases the Fraud Division worked on in conjunction with the district attorney offices. A few case highlights included: a medical provider fraud case with \$45 million in suspected fraud and statewide implications, and a multi-million dollar premium fraud case in which the owners of a farm labor contracting company were sentenced to four years in state prison. The Department currently has 69 active medical provider cases and 223 premium fraud investigations. Premium fraud investigations have almost doubled since last year. Fraud Division continues to take on complex and labor intensive investigations while focusing on maintaining a balanced caseload.

Deputy Commissioner Plein acknowledged the accomplishment of achieving CDI's hiring goals. The Department hired 114 people statewide over the past two years. The Department is staffed and prepared to do some great things in the next fiscal year.

Fraud Division participates in the Joint Enforcement Strike Force (JESF). The JESF is a coordinated effort with numerous state agencies to enhance the development and sharing of information necessary to combat the underground economy.

In the past year the Department staff has participated in 89 outreach events. The Fraud Division provided anti-fraud training and strategies to over 3,600 individuals at these events. The Department's outreach efforts include monthly meetings with the Labor Council. The Labor Council represents Trade Associations as well as Unions.

After concluding his report, Deputy Commission Plein respectfully requested stable funding for the Fraud Division at \$21,395,608 for FY 2014-2015. Deputy Commissioner Plein noted that the Workers' Compensation Fraud account has \$1,389,600 to offset the FY 2014-2015 aggregate assessment.

Public Comment

Gary Fagan, Chief Deputy District Attorney, San Bernardino County began by mentioning almost a quarter of a century ago, when the worker's compensation insurance fraud program began, the legislature recognized the need for a mechanism to fund the investigation and prosecution of workers' compensation fraud. This need created the Fraud Assessment Commission to determine funding for workers' compensation anti-fraud activities.

Mr. Fagan remarked that over the past three years district attorneys have acquired \$18.5 million in restitution for victims and \$15.41 million to the workers' compensation fund to offset the assessment. District attorneys and the Fraud Division have returned \$33.91 million to the community in the past 3 years.

Mr. Fagan requested increased funding if the FAC wanted the Workers' Compensation Insurance Fraud Program to move forward, rather than stall or move backwards. "It's not economically feasible, nor is it humanly realistic to keep saying, do more we have greater expectations and figure out a way to fund it", remarked Mr. Fagan.

Chairperson Marshall asked if there were any questions for Mr. Fagan. Being none, he moved to the determination of the aggregate assessment.

Determination of the Aggregate

The Fraud Assessment Commission began their discussion regarding the aggregate assessment for FY 2014-2015.

Commission Member Garcia acknowledged the great work accomplished by everyone in the room. Commission Member Garcia remarked that resources are limited and counties must direct funds to their top priorities; be strategic and work harder. Commission Member Garcia finished by offering a suggestion, perhaps the FAC should consider adding the offset of \$1,389,600 to the total funding available for district attorneys, rather than using those funds to offset the aggregate assessment.

Commission Member Riggs noted that working harder, smarter and faster is a requirement in business today. Commission Member Riggs wanted to see counties making a difference in the fight against workers' compensation fraud. Commission Member Riggs suggested that counties collaborate in order to gain expertise; use best practices and share resources in order to get the job done in the most efficient way possible.

Commission Member Newman was happy to hear more energy and commitment from counties in the fight against workers' compensation fraud. Commission Member Newman urged counties to work together and share resources; noting that using data and technology would enable counties to work smarter, faster and more efficiently. Commission Member Newman requested all counties to become familiar with Senate Bill 863, which will help in the fight against workers' compensation fraud.

Commission Member Smith noted that his business had been cutting costs for a couple of years; people have to do more with less. This is a competitive grant, when a county receives more money another county loses funds. The only way to justify giving more money to a county is with increased results. Commission Member Smith stated he could not justify an increase in the assessment to cover a cost of living raise.

Chairperson Marshall posed two questions: Are we doing so well that we can request more money from employers? And, are the funds being used in the most effective way possible? Chairperson Marshall didn't believe he could answer yes to those questions; therefore, he could not justify increasing the assessment when workers' compensation rates would already be increasing next year. Chairperson Marshall noted that his answers stem from participating on the Review Panel for the past three years. Chairperson Marshall felt statistics were stagnant and this was not due to counties working larger cases; only a few counties had elected to take on the larger workers' compensation cases.

Commission Member Smith raised the issue previously mentioned by Commission Member Garcia, should the FAC consider adding the offset amount to the total funding for the district attorneys rather than using it to offset the aggregate assessment?

A conversation ensued among the FAC Members on this issue. In the end, it was agreed that the offset amount of \$1,389,600, for FY 2014-2015 should be applied to aggregate assessment.

Public Comment

Chairperson Marshall opened the floor for public comment. Being none, Chairperson Marshall asked for a motion for the assessment to remain the same for FY 2014-2015.

Motion

Commission Member Smith made a motion to maintain stable funding at \$53,445,000 with an offset of \$1,389,600. Fraud Division would receive \$21,395,608, and \$31,774,392 would be available for distribution to the district attorneys. In addition, \$200,000 would be used for incidental expenses, and \$75,000 for DIR notification. Commissioner Garcia seconded the motion.

Action

The Fraud Assessment Commission unanimously approved the motion to maintain stable funding for FY 2014-2015.

Chairperson Marshall asked for a motion to adjourn the meeting.

Motion

Commission Member Garcia made a motion to adjourn.

Commission Member Smith seconded the motion.

Action

The Fraud Assessment Commission unanimously approved.

The meeting was adjourned at 3:25pm.